



County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

May 29, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

EXTENSION AND ENHANCEMENT OF THE FEDERAL TERRORISM RISK INSURANCE ACT (ALL DISTRICTS – 3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Support the extension of the Federal Terrorism Risk Insurance Act (TRIA) that requires commercial insurance companies to offer terrorism coverage and provide Federal aid as a backstop to pay losses on the scale of the September 11, 2001 attacks; and support an enhancement of TRIA by adding insurance coverage for domestic acts of terrorism, and terrorist acts involving chemical, biological, radiological, and nuclear weapons.
2. Instruct the Executive Officer of your Board to send a five-signature letter of support for TRIA's extension and enhancement to Senator Christopher J. Dodd (D-CT), Chairman of the Senate Committee on Banking, Housing, and Urban Affairs; Representative Barney Frank (D-MA), Chairman of the House Committee on Financial Services; and the County of Los Angeles (County) congressional delegation.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

TRIA became effective on November 26, 2002, and established a Federal program of shared public and private (insurance companies) compensation for insured commercial casualty losses arising from a foreign terrorist act.

TRIA was extended for two years in December 2005, and sunsets on December 31, 2007. Congress must decide either to extend the act as currently structured or to extend with critically needed enhancements. TRIA's extension and enhancement is important to private and public employers, including the County, interested in purchasing terrorism insurance. Should TRIA not be extended, insurance

industry experts predict significant disruption in the commercial insurance industry's capacity to provide terrorism insurance.

Implementation of Strategic Plan Goals

The recommended action is consistent with the County's Strategic Plan Goal Five, Children and Families' Well-Being, and Goal Eight, Public Safety and Security.

FISCAL IMPACT/FINANCING

TRIA's extension facilitates the County and other public and private employers purchase of terrorism insurance coverage for reasonable premiums.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Chief Administrative Office recommends extension and enhancement of TRIA by the United States Congress. TRIA offers a solution and a safety net to County residents and employers.

The 2005 RAND Corporation report, *Trends in Terrorism: Threats to the United States and the Future of the Terrorism Risk Insurance Act*, indicated the TRIA extension could be accomplished without increasing costs to taxpayers by changing the terms of Federal reinsurance. The report also stated that Congress should consider terrorism insurance that includes:

- domestic acts of terrorism; and
- chemical, biological, radiological, and nuclear incidents.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

TRIA's extension and enhancement is recommended to safeguard and protect the County, its residents, and its employers.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:RAA:sg

c: County Counsel
Executive Officer, Board of Supervisors